



# Sustainable Investment Spotlight

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- The Global Corona Crisis, which has swept the world in 2020, will be remembered as a turning point in history.
- The loss of lives has been devastating, the economic hardship excruciating.
- But beyond the horror, there is a glimpse of hope as the crisis will teach humanity important lessons that will help to shape a better future.
- These are that confronted with a major threat, humanity, when listening to scientists and acting on a global scale, can get its act together fast and swiftly. With a contribution from every individual in a spirit of solidarity, spending massive but necessary resources, the livelihood and wellbeing of current and future generations can be preserved.
- This is a template for the fight against Climate Change and other challenges.

### Countries affected by Coronavirus 2020



Source: Johns Hopkins University 2020

## Lessons from the Corona Crisis

**The year 2020 will be remembered as the year that a global pandemic struck the world's population and economy. From policymakers to healthcare workers, humanity is battling the Covid-19 disease, while quarantined citizens are grappling with the fallout of a global lockdown. In the midst of the dust and rubble, there are important conclusions emerging from a sustainability angle. These go beyond short-term analyses about whether equities with a higher sustainability rating performed better in the crisis than conventional stocks (they did!) or whether the global economic slump has helped reduce carbon emissions in 2020 (this happens in every recession). More importantly, the Corona Crisis holds lessons that help humanity to master other crises that we need to address to build a sustainable future.**

### A global crisis requires global solutions!

Even if countries have temporarily closed borders to tourists, they have only done so to reduce infection rates. Meanwhile they have insisted in keeping borders open for crucial products and to maintain supply chains. The pandemic has reminded us that threats to humanity are becoming more and more global, which fosters the case for multilateralism and global cooperation. Pandemics, Climate Change, the Refugee Crisis, the Ozone Hole, the loss of biodiversity and the Plastic Challenge, can only be addressed if all nations act in a coordinated and united manner.

### Listen to the scientists!

Most importantly we have learned that science matters. Sober scientific analysis pro-

vided the most relevant advice for policymakers, helping to make the right decisions to abate the crisis. The preparedness of Asian nations was a direct consequence of scientific results of the earlier epidemics like SARS and MERS. Internet "trolls" and "hoaxes" that attempted to play down the advice of scientists have spread like viruses, but in the end had to bow to the scientifically-proven reality. This raises hopes that science will prevail in the discussions about Climate Change.

### Act fast and swiftly!

The countries and regions that have listened to the scientists, understood the threat and implemented forceful measures early on, thereby bringing down infection rates faster. Those that have dragged their feet and have implemented piecemeal measures have suffered a more severe death toll. This should teach us that in the face of global crises like Climate Change, we should not hesitate but act. In fact, acting late will not only be more costly, but the costs grow exponentially.

### Individual behaviour matters!

We are more than 7.5 billion human beings on this planet, but the Corona Crisis has drastically shown us that the contribution of each single individual is required if we want to change the course of a crisis. Until then, some people still believed that throwing one more party or throwing one plastic bag into the Ocean would not really matter. Now we have drastically learned the notion of "externalities," i.e. the "consequence of an individuals' activity, which impacts other parties without

this being reflected in market prices". In the Corona Crisis, some individuals have ignored this at their own and their neighbours' peril. They have been identified as "super-spreaders", i.e. persons that have had so many contacts that they have infected so many persons along the way that regions have effectively become red no-go zones. The lesson of all this is clear: If you personally do not protect yourself and others, the virus will spread like a wildfire. If you personally don't act to reduce carbon emissions, real wildfires will spread as the planet heats up. If you personally don't reduce plastic, animals will suffocate on your plastic bag and the released microplastics will accumulate in the food chain and eventually kill humans.

#### **GDP matters, but let's focus on quality!**

In the past decades, economists were fixated on whether Gross Domestic Product (GDP) was growing 0.1 or 0.2 less than normal. Such fears dominated the debate about regulatory changes like the introduction of a CO2 levy. The recession that is ensuing the Corona Crisis is certainly one of the worst on record, even surpassing the Global Financial Crisis of 2008/09. It can only be compared to wartime recessions and hyperinflations. In the Corona Crisis, however, what mattered was not GDP, but a higher good - the well-being of loved-ones and the elders. The forced (often unpaid) leave from work has brought families and friends together, despite the "Social Distancing", even if the contact was more virtual than physical. Future growth discussions will be centered on quality rather than quantity.

#### **Massive policy action is possible!**

In order to alleviate the economic consequences of the Corona Crisis, central banks and finance ministers have pledged trillions of USD in support globally. In fact, policy-makers were ready to do "whatever it takes" and signed a blank check to fight the crisis. The climate and other emergencies require the same bold commitment to turn the ship around. Now we know that the resources can be made available.

#### **Solidarity is what matters most!**

It is encouraging to see how many initiatives have formed, often online, to help neighbours, support favourite restaurants, donate to artists or share experiences for free. One can possibly say that this crisis has brought up the best in human beings. Solidarity

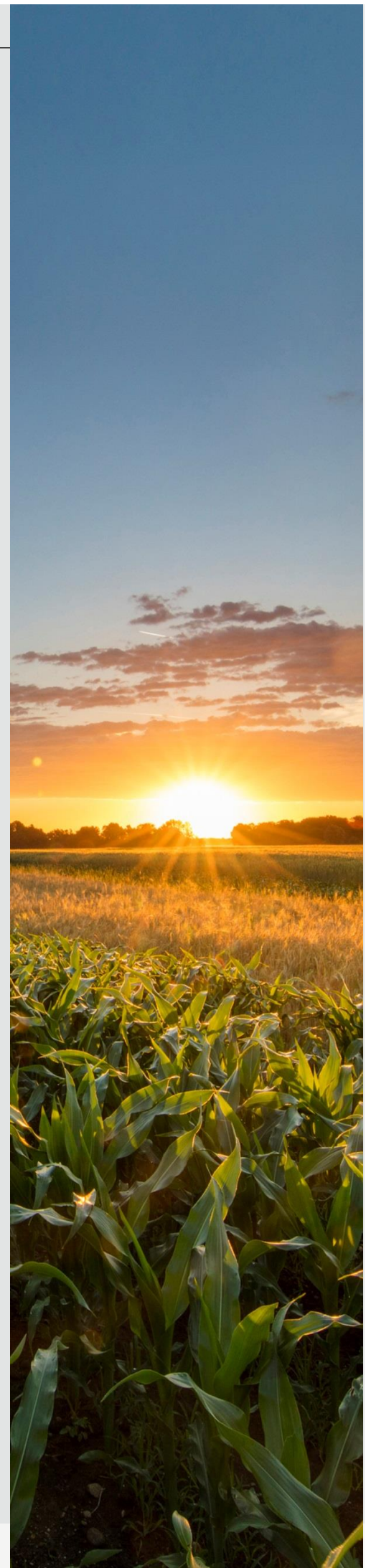
matters and is the finest trait of humans. More crucially, the severity of the shock and the speed of the recovery after the Corona Crisis will depend on how a country's population reacts. Countries that lack social cohesion because they have more inequality, are racially segregated or lack a common purpose, will face more stress. Solidarity is a key ingredient for an upswing.

#### **Systemically relevant has a new meaning!**

The notion of systemic relevancy was coined during the Global Financial Crisis of 2008/09 to describe institutions that were "too big to fail". These financial institutions were at the heart of a network of financial liabilities from other institutions and had therefore the potential to drag down the entire financial system and with it the world economy. This was sufficient justification for massive bailout packages, which were widely criticized as undemocratic and anti-social and allegedly gave rise to an anti-elitist or populist movement. In the Corona Crisis the term "systemic relevance" has resurfaced, but this time in a very different context. It does not pertain to well-paid white-collar workers, but many of the professions located at the bottom of the wage pyramid: retail cashiers, truck drivers, pharmacists, caregivers, educators, nurses and doctor's assistants. These are the everyday heroes that we have all come to celebrate during the crisis and who deserve all the praise for their fight in the trenches against the virus. For a sustainable society we understood that we need to take better care of our caretakers.

#### **Outsourcing is reaching limits!**

The Corona Crisis has drastically shown us the limitations of crucial products. Protective gear can be produced much cheaper in developing countries and shipped around the globe. But have you really saved money if supply chains break down, demand for these crucial devices surges and prices skyrocket? The lesson is that there are more dimensions to national and regional security which require a thorough planning of emergency reserves and local production. This is applicable as much for clinical masks as for batteries for electric vehicles and solar panels. Producing these crucial devices is not only a growth industry, but also a strategic industry. If we want to address global crises such as pandemics and Climate Change, we need to make sure we do not outsource crucial technologies and supplies.



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### **Authoritarianism is not superior!**

Some commentators have favoured the idea that authoritarian regimes such as China are better equipped for fighting a crisis than liberal Western societies. The Corona Crisis has proven this wrong. When Li Wenliang, a Chinese doctor in Wuhan who later died of Covid-19, warned his colleagues to wear protective gear when treating Corona patients in the early days of the epidemic, he was taken to a police station. It was only when his warnings spread via Chinese social media that authorities reacted. Even the Chinese government had to face massive criticism from many parts

of society, which threatened its very legitimacy. On the other end, many liberal democracies have relied on their existing framework of public appeals, moral suasion and minor penalties to nudge their populations to comply. The result is that the shutdown of entire cities has been achieved without major police interventions. The crisis should be remembered as a victory for Liberal Democracy.

### **We can do it!**

Finally, the best lesson we can draw from the Corona Crisis is that humanity can make a change. Confronted with a major threat,

policymakers can get their act together, acting globally, fast and swiftly, following science, with a contribution from every individual in a spirit of solidarity, spending massive but necessary resources to preserve the livelihood and wellbeing of current and future generations. There is hope that humanity can use this lesson to engage Climate Change with the same vigour and assertiveness. It is high time! We can do it!

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